

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

August 12, 2003

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FROM: DAVID H. SLAUGHTER, Director
Real Estate Services Department

BARBARA HALSEY, Director
Jobs and Employment Services Department

SUBJECT: LEASE AGREEMENT WITH INLAND EMPIRE PROPERTIES, LTD.

RECOMMENDATION: Approve a three-year lease agreement with Inland Empire Properties, Ltd. for 4,106 square feet of office space for the Jobs and Employment Services Department (JESD) in San Bernardino from August 1, 2003 through July 31, 2006 in the amount of \$210,156.

BACKGROUND INFORMATION: On January 14, 1997, the Board approved a five-year lease agreement for 15,600 square feet of office space for JESD located at 851 Mt. Vernon in Colton. This lease terminated as of July 31, 2003.

On April 5, 2002, the County Administrative Officer (CAO) approved a month-to-month lease for 852 square feet of office space for JESD located at 215 N. "D" Street, Suite 302, San Bernardino (Contract No. S-02-014). On October 4, 2002, the CAO approved an amendment to this month-to-month agreement, which increased the square footage from 852 to 1,083 square feet and increased the rent from \$1,150 to \$1,440 per month.

JESD has undergone a significant transformation during the past several months as a result of the Board approved transition of the CalWORKS program operation to the Human Service System, Temporary Assistance Division. With the transition of CalWORKS staff, JESD has reviewed their existing leased facilities to determine how best to consolidate the remaining staff.

On July 28, 2003, a Capital Improvement Program Request No. 03-31 was approved by the CAO for 4,135 square feet of office space. It was determined that to best meet the needs of the department, this space should be in close proximity to the JESD offices on the second and third floors of the 215 N. "D" Street location in San Bernardino.

JESD requested the Real Estate Services Department negotiate a new lease agreement to incorporate the existing occupied space and additional space at this location. County Policy 08-02-01 allows the use of an alternative procedure when compliance with a formal request for proposals or solicitation of proposals requirements would unreasonably interfere with the financial or programmatic needs of the County or when the use of an alternative procedure would otherwise be in the best interests of the County. Per the policy, RESD negotiated a new three-year lease to accommodate the consolidation of JESD staff.

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The terms of the lease are summarized as follows:

| | | | |
|---------------------|-----------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Lessor: | Inland Empire Properties, Ltd. (Erven Tallman, Managing Partner) | | |
| Location: | 215 N. "D" Street, Suite 302, San Bernardino | | |
| Size: | 4,106 square feet for office space | | |
| Term: | Three years | | |
| Options: | Two two-year options | | |
| Rent: | <u>Cost per sq. ft. per month</u> \$1.38 full service gross* *Mid range for the San Bernardino area | <u>Monthly</u> \$5,666 | <u>Annual</u> \$67,992 |
| Annual increases: | Three percent | | |
| Improvement Costs: | Provided by Lessor | | |
| Custodial: | Provided by Lessor | | |
| Maintenance: | Provided by Lessor | | |
| Utilities: | Provided by Lessor | | |
| Right to Terminate: | County has no right to terminate during initial three-year term | | |
| Parking: | Sufficient for County needs | | |

By terminating the lease for the 28,000 square foot facility at 851 Mt. Vernon and the 1,083 square feet of the temporary space at 215 N. "D" Street, JESD will save approximately \$412,920 annually. The new annual savings will be \$344,928 after deducting the annual cost of this new lease. The 42 members of the Colton staff will be relocated to various offices with 16 of those staff members relocated to the 215 N. "D" Street facility.

REVIEW BY OTHERS: This item has been reviewed by JESD (Linda Foster, Administrative Services Manager) on July 24, 2003; County Counsel (Rex Hinesley, Chief Deputy Counsel) on July 30, 2003; and the County Administrative Office (Lynn Chacon and Patricia Cole, Administrative Analysts) on August 4, 2003.

FINANCIAL IMPACT: The total cost of this three-year lease is \$210,156. The cost for fiscal year 2003-04 will be \$62,326 (\$5,666 per month x 11 months). Payments will be made from the Rents budget (AAA RNT) and reimbursed from the JESD budget (SAC JOB). Sufficient appropriation is available in both budgets. Approval of this item will not result in local cost. Annual lease costs are as follows:

| <u>Year</u> | <u>Annual lease cost</u> |
|------------------------------|--------------------------|
| Aug. 1, 2003 – July 31, 2004 | \$67,992 |
| Aug. 1, 2004 – July 31, 2005 | \$70,032 |
| Aug. 1, 2005 – July 31, 2006 | \$72,132 |

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item, concurs with the department's and RESD's proposal, and recommends this action based on the need to provide administrative services to the JESD programs. This program is 100% federally funded. Funding is available, ongoing in nature, and not in imminent jeopardy of being cut at the federal level. There is no termination during the initial three-year term; however, in the event there is a need to reduce office space, the JESD administrative office lease for 10,073 square feet on the second floor of this same building may be reduced in size or terminated since the lease allows the county to terminate by giving 90 days notice after July 2004 at a cost not to exceed \$10,400 for unamortized tenant improvements.

SUPERVISORIAL DISTRICTS: Fifth

PRESENTER: David H. Slaughter, Director, 7-7813

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